UNIVERSITY OF CENTRAL ARKANSAS
BOARD POLICY

Policy Number: 608

Subject: Tax-exempt Bond Issues – Post Issuance Compliance

Date Adopted: 06/25/12 Revised:

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1. Statement of Purpose

This Post-Issuance Compliance Policy ("policy") sets forth specific policies of the University of Central Arkansas ("university") designed to monitor post-issuance compliance of tax-exempt obligations ("obligations") issued by the university, with applicable provisions of the Internal Revenue Code of 1986, as amended ("code"), and regulations promulgated thereunder ("Treasury regulations").

This policy documents practices and describes various procedures and systems designed to identify, on a timely basis, facts relevant to demonstrating compliance with the requirements that must be satisfied subsequent to the issuance of obligations in order that the interest on such obligations continue to be eligible to be excluded from gross income for federal income tax purposes. The federal tax law requirements applicable to each particular issue of obligations will be detailed in the arbitrage or tax certificate prepared by bond counsel and signed by officials of the university with respect to that issue. This policy establishes a permanent, ongoing structure of practices and procedures that will facilitate compliance with the requirements for individual borrowings.

2. General Policies and Procedures

The following policies generally relate to procedures and systems for monitoring post-issuance compliance.

a. The vice president of finance and administration or his or her designee (the "compliance officer") shall be responsible for monitoring post-issuance issuance compliance procedures and systems on a periodic basis, but not less than annually.

3. Issuance of Obligations - Documents and Records

With respect to each issue of obligations, the compliance officer will:

a. obtain and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents (the “transcript”).

b. confirm that bond counsel has filed the applicable information report (e.g., Form 8038, Form 8038-G, Form 8038-CP) for such issue with the IRS on a timely basis.

c. be aware of options for voluntary corrections for failure to comply with post-issuance compliance requirements (such as remedial actions under Section 1.141-12 of the Treasury regulations and the Treasury’s Tax-Exempt Bonds Voluntary Closing Agreement Program) and take such corrective action when necessary and

This procedure shall include an examination of the expenditures made with proceeds of the obligations within 18 months after each project financed by the obligations is placed in service and, if necessary, a reallocation of expenditures in accordance with Section 1.148-6(d) of the Treasury regulations.

f. monitor compliance with the applicable "temporary period" (as defined in the code and Treasury regulations) exceptions for the expenditure of proceeds of the issue, and provide for yield restriction on the investment of such proceeds if such exceptions are not satisfied.

g. ensure that investments acquired with proceeds of such issue are purchased at fair market value.

h. avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.

i. consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions or investments in guaranteed investment contracts.

j. identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.

k. monitor compliance with six-month, 18-month or 2-year spending exceptions to

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c. maintain records allocating to a project financed with obligations any funds from other sources that will be used for otherwise non-qualifying costs.

d. monitor the expenditure of proceeds of an issue and investment earnings for qualifying costs.

e. monitor private use of financed facilities to ensure compliance with applicable limitations on such use. Examples of potential private use include:

   i. sale of the facilities, including sale of capacity rights;

   ii. lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers) or leasehold improvement contracts;

   iii. management contracts (in which the university authorizes a third party to operate a facility, e.g., cafeteria) and research contracts;

   iv. preference arrangements (in which the university permits a third party preference, such as parking in a public parking lot);

   v. joint-ventures, limited liability companies or partnership arrangements;

   vi. output contracts or other contracts for use of utility facilities (including contracts with large utility users);

   vii. development agreements which provide for guaranteed payments or property values from a developer;

   viii. grants or loans made to private entities, including special assessment agreements; and

   ix. naming rights arrangements.

Monitoring of private use should include the following:

   i. procedures to review the amount of existing private use on a periodic basis; and

   ii. procedures for identifying, in advance, any new sale, lease or license, management contract, sponsored research arrangement, output or utility contract, development agreement or other arrangement involving private use of financed facilities and for obtaining copies of any sale agreement, lease, license, management contract, research arrangement or other arrangement for review by bond counsel.

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iv. documentation evidencing use of financed property by public and private entities (e.g., copies of leases, management contracts, utility user agreements, developer agreements and research agreements);

v. documentation evidencing all sources of payment or security for the issue; and

vi. documentation pertaining to any investment of proceeds of the issue (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received by the investment of proceedss by1 uÍ ialcnt T* (v.)Tj (-2(oc)4oj (-2)-4(u > c

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